

Message Text

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44

ACTION AGR-20

INFO OCT-01 ARA-16 ISO-00 CIAE-00 COME-00 EB-11 INR-10

LAB-06 NSAE-00 RSC-01 SPC-03 STR-08 TRSE-00 CIEP-02

OMB-01 L-03 EA-11 PA-04 PRS-01 USIA-15 DRC-01 /114 W

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R 071500Z NOV 73

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 2843

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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GUATEMALA ALSO FOR ROCAP

SAN SALVADOR ALSO FOR AGATT

E. O. 11652: N/A

TAGS: ETRD EAGR NU

SUBJECT: COTTON GROWERS FORM BLOCK TO BREAK COTTON FUTURES
CONTRACTS

SUMMARY: A GROUP OF NICARAGUAN COTTON GROWERS HAS
AGREED TO FORM A BLOCK TO SEEK LEGAL MEANS OF BREAKING
FUTURES CONTRACTS. TAIWANESE AND MEXICAN DEALERS
OFFER TO BUY CROP. END SUMMARY.

1. A GROUP OF NICARAGUAN COTTON GROWERS, AT A MEETING
NOVEMBER 1, AGREED TO FORM A GROUP, THE BLOQUE NACIONAL
DE PRODUCTORES DE ALGODON, TO SEEK LEGAL MEANS TO
BREAK THEIR FUTURES CONTRACTS AND TO NEGOTIATE
COLLECTIVELY FOR THE SALE OF THIS YEAR'S CROP. THE
TREASURER OF THE BLOQUE IS TO BE THE PRESIDENT OF THE
NATIONAL COTTON COMMISSION (AN AUTONOMOUS GOVERNMENT
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AGENCY), GENERAL RODRIGUEZ SOMOZA. THE MAJOR LEGAL

ARGUMENT WHICH THE BLOQUE HAS PUT FORWARD TO DATE IS THAT WITH THE CHANGED PRICE AND COST SITUATION GROWERS CANNOT EARN A PROFIT AT ORIGINAL CONTRACT PRICES.

2. A LEADING COTTON BROKER TOLD EMBOFF THAT SO FAR ONLY A COUPLE OF THE BIG COTTON GROWERS HAVE PUBLICLY JOINED THE BLOQUE, BUT THAT THEY MAY BE SUPPORTING THE MOVEMENT BEHIND THE SCENES. HE SAID THAT THE FACT THAT RODRIGUEZ SOMOZA WAS AN OFFICER OF THE NEW GROUP CAUSED BROKERS TO WONDER IF THE GON WAS MOVING AWAY FROM ITS POSITION OF NEUTRALITY AND LEANING TOWARDS THE GROWERS.

3. BROKER SAID THAT WHILE SOME GROWERS HAD ASSURED HIM THEY WOULD DELIVER ON CONTRACTS, AND OTHERS THAT THEY WOULD NOT, HE FELT MOST WERE STILL UNDECIDED AND WOULD BE FOLLOWING ACTIVITIES OF BLOQUE CLOSELY.

4. HE SAID THAT FURTHER COMPLICATING THE PICTURE IS THE FACT THAT COTTON DELIVERIES TO THE GIN ORDINARILY BEGIN IN DECEMBER. IF THE SITUATION REMAINS CONFUSED AND GROWERS HOLD THEIR CROPS BACK, HE FEARS BOTTLENECKS WILL DEVELOP ALL ALONG THE LINE WHICH MAY MAKE IT IMPOSSIBLE TO EXPORT ALL OF CROP BEFORE THE BEGINNING OF THE NEXT RAINY SEASON.

5. MEANWHILE, RODRIGUEZ SOMOZA CONFIRMED TO EMBOFF RUMORS THAT BUYERS FROM TAIWAN HAVE OFFERED TO BUY THE ENTIRE NICARAGUAN 73/74 CROP AT 55 DOLLARS PER CWT. THE BUYERS ARE REPORTED TO BE EDUARDO WONG AND KEW CHIN OF THE ATLANTIC TRADING COMPANY OF TAIWAN. MEXICO HAS ALSO OFFERED TO BUY NICARAGUAN COTTON, RODRIGUEZ SOMOZA SAID.

6. COMMENT: ACCORDING TO AN INDEPENDENT LAWYER, LEGAL ARGUMENT OF BLOQUE DOES NOT SEEM TO HAVE VALIDITY IN NICARAGUAN LAW. HOWEVER, THREAT OF LEGAL ACTION, WHICH COULD BE TIED UP IN COURTS FOR A LONG TIME (WE ARE AWARE OF ONE BASELESS CASE WHICH WAS IN THE CORTS FOR 18 YEARS), COULD BE A NEGOTIATING PLOY ON LIMITED OFFICIAL USE

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THE PART OF THE GROWERS. END COMMENT.
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